

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF COLUMBIA)	CASE NO. 9554-C
GAS OF KENTUCKY, INC.)	

INTERIM ORDER

On November 14, 1986, the Commission issued its Order in Case No. 9554 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On August 2, 1988, Columbia Gas of Kentucky, Inc. ("Columbia"), filed its revised semi-annual gas cost adjustment ("GCA") which is to become effective September 1, 1988. In this filing, Columbia included estimates of its total take-or-pay and contract reformation billings from pipeline suppliers, as well as a methodology for recovering these billings through its GCA. As part of its proposed methodology, Columbia requested a revision to its tariff, P.S.C. KY No. 4, Sheet No. 82, which would provide for the recovery of a portion of its take-or-pay billings from transportation customers.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

1. Columbia's notice of August 2, 1988 set out certain revisions in rates which Columbia proposed to place into effect, said rates being designed to pass on the wholesale increase in price from its suppliers in the amount of \$1,819,889.

2. Columbia's notice set out a Special Agency Service ("SAS") refund adjustment of .1 cent per Mcf. This adjustment returns a portion of Columbia's SAS revenues to its customers.

3. Columbia's notice set out a total supplier refund adjustment of 1.29 cents per Mcf, which is composed of a remaining refund of .5 cents from a previous adjustment and a current adjustment of .79 cents per Mcf.

4. Columbia's notice set out an actual cost adjustment of 5.2 cents per Mcf to return previous overcollections to its customers.

5. Columbia's notice set out a balancing adjustment in the amount of .26 cents per Mcf to reconcile a previous balancing adjustment.

6. The Commission is concerned that approval of Columbia's recovery of take-or-pay and contract reformation charges using its proposed estimates and methodology would not be in the best interest of all of Columbia's customers and would be inconsistent with methodologies approved for other utilities. Columbia should be given an opportunity to make its case before this Commission and to produce any evidence it can as to why its proposed estimates and methodology are fair, just, and reasonable and in the public interest.

7. The issue of the appropriate recovery methodology of take-or-pay billings and contract reformation charges should be held over for hearing, at which time Columbia should be prepared to address the following:

(1) The actual amounts of take-or-pay and contract reformation charges and how they are to be recovered. Evidence presented should include Columbia Gas Transmission ("TCO") billings or tariff sheets showing monthly and total take-or-pay allocations; documentation as to breakdown of contract reformation and take-or-pay cost of TCO suppliers; and backup for figures shown in Schedule 6 of the application.

(2) Support for proposed methodology for allocating costs among sales and transportation customers.

8. Until a final Order approving a recovery methodology is issued in this case, the fixed charge recovery component should be withheld from Columbia's gas cost recovery rate.

9. Until a final Order approving a recovery methodology is issued in this case, approval of any associated change in Columbia's tariff would be premature. Therefore, the Commission will consider the proposed tariff change along with the other issues held over for hearing.

10. On a date that is mutually convenient, Columbia and the Commission's Staff should hold an informal conference prior to the hearing to discuss any and all alternatives for take-or-pay recovery through the GCR mechanism.

11. Columbia's gas cost recovery rate of \$3.3895, which excludes the fixed charge recovery component, is a decrease of 10.34 cents per Mcf. This decrease represents the combined effect of the supplier increase, actual cost, balancing and refund adjustments.

12. Columbia's adjustment in rates, excluding any fixed charge recovery, under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 9554, dated November 14, 1986, is fair, just, and reasonable and in the public interest and should be effective with gas supplied on and after September 1, 1988.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Columbia be and they hereby are suspended. The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after September 1, 1988.

2. Within 30 days of the date of this Order, Columbia shall file with this Commission its revised tariffs setting out the rates authorized herein.

3. A hearing be and it hereby is scheduled for Tuesday, September 27, 1988, at 1:30 p.m., Eastern Standard Time, in the Commission's offices at Frankfort, Kentucky. The purpose of the hearing is to more fully consider the issues discussed herein.

4. An informal conference shall be scheduled by the Commission's Staff with Columbia prior to the hearing.

Done at Frankfort, Kentucky, this 30th day of August, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Hemmick
Chairman

Robert M. Davis
Vice Chairman

James M. Wilkerson
Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9554-C DATED 8/30/88

The following rates and charges are prescribed for the customers served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

CURRENTLY EFFECTIVE BILLING RATES

	Base Rate Charge \$	Gas Cost Adjustment <u>1/</u> \$	Total Billing Rate \$
RATE SCHEDULE GS			
Customer Charge:			
Residential	4.00		4.00
Commercial or Industrial	10.00		10.00
Volumetric:			
First 2 Mcf/Month	1.2652	3.3895	4.6547
Next 48 Mcf/Month	1.2352	3.3895	4.6247
Next 150 Mcf/Month	1.2052	3.3895	4.5947
All Over 200 Mcf/Month	1.1752	3.3895	4.5647
RATE SCHEDULE FI			
Customer Charge:	100.00		100.00
Customer Demand Charge:			
Demand Charge times Firm Mcf Volume in Customer Service Agreement		6.6358	6.6358
Commodity Charge-All Volume	0.3942	3.3895	3.7837

RATE SCHEDULE IS

Customer Charge:	100.00		100.00
Commodity Charge	0.3942	3.3895	3.7837

RATE SCHEDULE IUS

For all Volumes Delivered each Month	0.0912	3.3895	3.4807
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- 1/ The Gas Cost Recovery Rate, as shown, is an adjustment per Mcf determined in accordance with the "Semi-Annual Gas Cost Adjustment Clause" as set forth on Sheets 80 through 82 of this tariff.